



Questions to ask when applying for a private/alternative student loan

Before considering a private/alternative loan, make sure that first you have applied for financial aid using the Free Application for Federal Student Aid (FAFSA) at www.fafsa.ed.gov. This application will determine if you are eligible for any federal, state, and institutional financial aid, including Federal Direct Subsidized and Federal Direct Unsubsidized Loans. After exploring these aid options, if there is no other way to fill the financial gap, shop around and do some homework before choosing a private/alternative loan. And remember: keep written records of all forms, applications, and correspondence with your lender, especially regarding discounts and special deals, for the entire life of your loan.

What is the lowest interest rate and fee combination that you offer? How can I get that rate? Is the rate only for a limited period (an introductory rate), or for the duration of the loan?

If the interest rate you are offering is variable, is there a limit on how high the rate can go? How often is the interest rate adjusted, and how is it determined?

How long will I be repaying the loan? Is there any penalty for paying off the loan early?

When do I have to start making payments?

How long can I defer payments while I'm in school? How often do you capitalize the interest? If I do not make payments while in school, how much will I owe when I do start making payments?

Will I lose my on-time-payment discount with just one late payment or if I ask for a change in the payment schedule? What proportion of your borrowers actually gets the discounts you offer?

Are your discounts guaranteed, or are they subject to change later?

If I have difficulty making payments ("economic hardship"), do you allow me to defer or reduce my payments temporarily? Under what circumstances, and for how long?

The above information was provided by: <http://projectonstudentdebt.org>

*Also, find out if the loan is certified by the school or funded directly to the borrower. Borrowers should always explore the school-certified loan options first since school-certified loans may have lower interest rates and fees.

*Ask about co-signer requirements. Having a credit worthy co-signer typically provides more favorable rates for student borrowers. Some lenders also may offer a co-signer release after a certain number of on-time payments are made once the loan is in repayment.